

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Summary of Cash Receipts, Expenditures And Unencumbered Cash	2
Summary of Expenditures – Actual and Budget.....	3
Statement of Cash Receipts and Expenditures – Actual and Budget:	
General Fund.....	4
Supplemental General Fund	5
Capital Outlay Fund	6
Driver Training Fund	7
At Risk (K-12) Fund	8
Food Service Fund.....	9
Professional Development Fund	10
Special Education Fund	11
Bilingual Fund	12
Recreation Commission Fund.....	13
KPERS Special Retirement Contribution Fund	14
Vocational Education Fund	15
Bond and Interest Fund	16
Spearville Recreation Commission	17
Statement of Cash Receipts and Expenditures:	
All Non-Budgeted Special Revenue Funds.....	18
Scholarship Trust Fund.....	19
Statement of Cash Receipts, Expenditures, and Unencumbered Cash:	
District Activity Funds.....	20
Summary of Cash Receipts and Cash Disbursements – Actual:	
Agency Funds	21
Notes to Financial Statements	22

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 381
Spearville, Kansas

We have audited the accompanying financial statements of Unified School District No. 381, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the District, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, Unified School District No. 381, has prepared these financial statements using accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 381 as of June 30, 2011, or the changes in its financial position for the year then ended. Further, Unified School District No. 381 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of the basic financial statements.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 381, as of June 30, 2011, its cash receipts and expenditures, and budgetary results for the year then ended, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

November 4, 2011

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2011

<u>Fund</u>	<u>Beginning unencumbered cash balance (deficit)</u>	<u>Prior year canceled encumbrances</u>
Governmental funds:		
General funds:		
General	\$ (227,578)	\$ -
Supplemental general	(55,185)	-
Special revenue funds:		
Capital outlay	399,047	-
Driver training	2,199	-
At risk (K-12)	-	-
Food service	14,723	-
Professional development	650	-
Special education	127,956	-
Bilingual	-	-
Recreation commission	31,585	-
KPERs special retirement contribution	-	-
Vocational education	1,069	70
Non-budgeted special revenue funds:		
At risk (4 year old)	304	-
Contingency reserve	91,088	-
Textbook and student materials revolving	7,375	-
REAP - rural education achievement	-	-
Title I ARRA account	-	-
Title I	-	-
Title IIA	-	-
Title IID	-	-
Gifts and grants	235,427	-
District activity funds	6,514	-
Debt service funds:		
Bond and interest	231,639	-
Improvement fund/bond proceed	621	-
Fiduciary funds:		
Private-purpose trust fund:		
Scholarship trust	16,586	-
	884,020	70
Component unit:		
Spearville Recreation Commission	66,070	-
Total - excluding agency funds	<u>\$ 950,090</u>	<u>\$ 70</u>
Composition of cash:		
Checking accounts		
Money market accounts		
Savings accounts		
Total component unit		
Total cash		
Agency funds		
Total - excluding agency funds		

The accompanying notes are an integral
part of the financial statements.

Cash receipts	Expenditures	Ending unencumbered cash balance (deficit)	Add outstanding encumbrances and accounts payable	Ending cash balance (deficit)
\$ 2,582,670	\$ 2,557,082	\$ (201,990)	\$ 1,000	\$ (200,990)
909,891	864,633	(9,927)	35,416	25,489
105,197	69,049	435,195	-	435,195
4,436	3,841	2,794	-	2,794
80,500	60,086	20,414	2,708	23,122
209,799	180,282	44,240	-	44,240
1,500	1,688	462	-	462
504,526	381,277	251,205	-	251,205
5,000	4,524	476	349	825
68,595	69,500	30,680	-	30,680
120,030	120,030	-	-	-
80,300	80,653	786	-	786
-	304	-	-	-
-	-	91,088	-	91,088
16,041	19,038	4,378	6,977	11,355
39,332	39,332	-	-	-
7,349	7,349	-	-	-
26,147	26,147	-	-	-
9,310	8,110	1,200	-	1,200
89	89	-	-	-
118,421	-	353,848	-	353,848
71,631	70,353	7,792	-	7,792
234,775	259,500	206,914	-	206,914
-	621	-	-	-
27	-	16,613	-	16,613
5,195,566	4,823,488	1,256,168	46,450	1,302,618
94,932	89,695	71,307	-	71,307
<u>\$ 5,290,498</u>	<u>\$ 4,913,183</u>	<u>\$ 1,327,475</u>	<u>\$ 46,450</u>	<u>\$ 1,373,925</u>

\$ 586,277
 731,000
 16,613
71,307
 1,405,197
(31,272)
\$ 1,373,925

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2011

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General funds:					
General	\$ 2,626,255	\$ (69,173)	\$ 2,557,082	\$ 2,557,082	\$ -
Supplemental general	864,633	-	864,633	864,633	-
Special revenue funds:					
Capital outlay	360,000	-	360,000	69,049	290,951
Driver training	8,146	-	8,146	3,841	4,305
At risk (K-12)	100,000	-	100,000	60,086	39,914
Food service	195,700	-	195,700	180,282	15,418
Professional development	3,439	-	3,439	1,688	1,751
Special education	450,750	-	450,750	381,277	69,473
Bilingual	5,000	-	5,000	4,524	476
Recreation commission	69,500	-	69,500	69,500	-
KPERS special retirement contribution	169,381	-	169,381	120,030	49,351
Vocational education	118,920	-	118,920	80,653	38,267
Debt service fund:					
Bond and interest	260,501	-	260,501	259,500	1,001
	5,232,225	(69,173)	5,163,052	4,652,145	510,907
Component unit:					
Spearville Recreation Commission	157,296	-	157,296	89,695	67,601
	<u>\$ 5,389,521</u>	<u>\$ (69,173)</u>	<u>\$ 5,320,348</u>	<u>\$ 4,741,840</u>	<u>\$ 578,508</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 2,370	\$ 2,642	\$ 1,402	\$ 1,240
Current tax	311,888	312,763	305,337	7,426
Delinquent tax	1,249	1,107	1,583	(476)
Federal aid:				
ARRA stabilization	123,084	46,333	46,333	-
Education jobs	-	81,129	-	81,129
State aid:				
Equalization aid	1,857,350	1,881,156	1,987,364	(106,208)
Special education aid	321,994	257,239	284,236	(26,997)
Mineral production tax	203	301	-	301
Total cash receipts	<u>2,618,138</u>	<u>2,582,670</u>	<u>\$ 2,626,255</u>	<u>\$ (43,585)</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	1,386,489	1,517,596	\$ 1,418,200	\$ (99,396)
Student support services	36,185	35,164	49,050	13,886
Instructional support staff	653	-	600	600
General administration	172,405	156,606	196,175	39,569
School administration	206,918	217,221	218,583	1,362
Operations and maintenance	369,738	210,353	334,150	123,797
Student transportation services	22,796	17,654	37,997	20,343
Operating transfers	360,861	402,488	371,500	(30,988)
Adjustment to comply with legal maximum budget	-	-	(69,173)	(69,173)
Total expenditures and transfers subject to legal maximum budget	<u>2,556,045</u>	<u>2,557,082</u>	<u>\$ 2,557,082</u>	<u>\$ -</u>
Receipts over (under) expenditures	62,093	25,588		
Unencumbered cash (deficit), beginning of year	<u>(289,671)</u>	<u>(227,578)</u>		
Unencumbered cash (deficit), end of year	<u>\$ (227,578)</u>	<u>\$ (201,990)</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SUPPLEMENTAL GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 2,313	\$ 3,800	\$ 2,264	\$ 1,536
Current tax	363,360	410,258	405,470	4,788
Delinquent tax	1,211	1,375	1,848	(473)
Motor vehicle tax	20,684	26,964	28,583	(1,619)
Federal aid:				
ARRA stabilization	97,718	-	-	-
State aid	272,250	467,494	418,175	49,319
Total cash receipts	<u>757,536</u>	<u>909,891</u>	<u>\$ 856,340</u>	<u>\$ 53,551</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	153,829	95,721	\$ 166,457	\$ 70,736
Operations and maintenance	154,442	211,930	160,676	(51,254)
Student transportation services	143,868	144,961	150,500	5,539
Operating transfers	312,861	412,021	387,000	(25,021)
Total expenditures and transfers subject to legal maximum budget	<u>765,000</u>	<u>864,633</u>	<u>\$ 864,633</u>	<u>\$ -</u>
Receipts over (under) expenditures	(7,464)	45,258		
Unencumbered cash (deficit), beginning of year	<u>(47,721)</u>	<u>(55,185)</u>		
Unencumbered cash (deficit), end of year	<u>\$ (55,185)</u>	<u>\$ (9,927)</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 624	\$ -	\$ -	\$ -
Current tax	226	214	-	214
Delinquent tax	364	173	-	173
Motor vehicle tax	6,183	5,052	4,582	470
Interest	1,876	2,354	-	2,354
Other	11,861	5,518	-	5,518
Transfer from general fund	-	91,886	-	91,886
Total cash receipts	<u>21,134</u>	<u>105,197</u>	<u>\$ 4,582</u>	<u>\$ 100,615</u>
Expenditures:				
Instruction	5,982	-	\$ 50,000	\$ 50,000
Operations and maintenance	1,576	11,159	60,000	48,841
Facility acquisition and construction services	<u>1,646</u>	<u>57,890</u>	<u>250,000</u>	<u>192,110</u>
Total expenditures	<u>9,204</u>	<u>69,049</u>	<u>\$ 360,000</u>	<u>\$ 290,951</u>
Receipts over (under) expenditures	11,930	36,148		
Unencumbered cash, beginning of year	386,667	399,047		
Prior year canceled encumbrances	<u>450</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ 399,047</u>	<u>\$ 435,195</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

DRIVER TRAINING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Fees	\$ 2,800	\$ 3,400	\$ 4,400	\$ (1,000)
State aid	650	1,036	1,540	(504)
Total cash receipts	3,450	4,436	\$ 5,940	\$ (1,504)
Expenditures:				
Instruction	3,260	3,799	\$ 5,646	\$ 1,847
Operations and maintenance	37	42	2,500	2,458
Total expenditures	3,297	3,841	\$ 8,146	\$ 4,305
Receipts over (under) expenditures	153	595		
Unencumbered cash, beginning of year	2,046	2,199		
Unencumbered cash, end of year	\$ 2,199	\$ 2,794		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

AT RISK (K-12) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Transfer from supplemental general fund	\$ 98,000	\$ 80,500	\$ 100,000	\$ (19,500)
Expenditures:				
Instruction	95,375	58,520	\$ 100,000	\$ 41,480
Student support services	857	-	-	-
Instructional support staff	1,768	1,566	-	(1,566)
Total expenditures	98,000	60,086	\$ 100,000	\$ 39,914
Receipts over (under) expenditures	-	20,414		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ 20,414		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Charges for services	\$ 97,841	\$ 97,086	\$ 101,890	\$ (4,804)
Federal aid	55,449	57,435	59,283	(1,848)
State aid	2,162	2,278	1,890	388
Transfer from supplemental general fund	-	53,000	51,000	2,000
Total cash receipts	155,452	209,799	<u>\$ 214,063</u>	<u>\$ (4,264)</u>
Expenditures:				
Food service operations	177,275	180,282	<u>\$ 195,700</u>	<u>\$ 15,418</u>
Receipts over (under) expenditures	(21,823)	29,517		
Unencumbered cash, beginning of year	36,546	14,723		
Unencumbered cash, end of year	<u>\$ 14,723</u>	<u>\$ 44,240</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

PROFESSIONAL DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 324	\$ -	\$ -	\$ -
Transfer from supplemental general fund	-	1,500	5,000	(3,500)
Total cash receipts	324	1,500	<u>\$ 5,000</u>	<u>\$ (3,500)</u>
Expenditures:				
Instructional support staff	1,647	1,688	\$ 2,500	\$ 812
Other supplemental service	-	-	939	939
Total expenditures	1,647	1,688	<u>\$ 3,439</u>	<u>\$ 1,751</u>
Receipts over (under) expenditures	(1,323)	(188)		
Unencumbered cash, beginning of year	1,973	650		
Unencumbered cash, end of year	<u>\$ 650</u>	<u>\$ 462</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Other	\$ -	\$ 2,203	\$ -	\$ 2,203
Transfer from general fund	342,861	290,302	350,000	(59,698)
Transfer from supplemental general fund	112,861	212,021	116,000	96,021
Total cash receipts	455,722	504,526	\$ 466,000	\$ 38,526
Expenditures:				
Instruction	345,797	360,497	\$ 438,750	\$ 78,253
General administration	15,544	15,082	-	(15,082)
Operations and maintenance	300	300	-	(300)
Student transportation services	1,401	-	-	-
Vehicle operating services	6,000	5,398	12,000	6,602
Total expenditures	369,042	381,277	\$ 450,750	\$ 69,473
Receipts over (under) expenditures	86,680	123,249		
Unencumbered cash, beginning of year	41,276	127,956		
Unencumbered cash, end of year	\$ 127,956	\$ 251,205		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

BILINGUAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transfer from general fund	\$ 5,000	\$ 5,000	<u>\$ 5,000</u>	<u>\$ -</u>
Expenditures:				
Instruction	<u>5,000</u>	<u>4,524</u>	<u>\$ 5,000</u>	<u>\$ 476</u>
Receipts over (under) expenditures	-	476		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ 476</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

RECREATION COMMISSION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 585	\$ 651	\$ 302	\$ 349
Current tax	62,344	61,506	60,702	804
Delinquent tax	342	294	317	(23)
Motor vehicle tax	5,797	6,144	6,280	(136)
Total cash receipts	69,068	68,595	<u>\$ 67,601</u>	<u>\$ 994</u>
Expenditures:				
Transfer to component unit	68,000	69,500	<u>\$ 69,500</u>	<u>\$ -</u>
Receipts over (under) expenditures	1,068	(905)		
Unencumbered cash, beginning of year	30,517	31,585		
Unencumbered cash, end of year	<u>\$ 31,585</u>	<u>\$ 30,680</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 141,151	\$ 120,030	\$ 169,381	\$ (49,351)
Expenditures:				
Instruction	98,804	84,021	\$ 121,806	\$ 37,785
Student support services	4,235	3,601	4,900	1,299
General administration	9,881	8,402	11,550	3,148
School administration	15,527	13,203	16,144	2,941
Operations and maintenance	7,058	6,002	8,420	2,418
Food service	5,646	4,801	6,561	1,760
Total expenditures	141,151	120,030	\$ 169,381	\$ 49,351
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Transfer from general fund	\$ 13,000	\$ 15,300	\$ 16,500	\$ (1,200)
Transfer from supplemental general fund	102,000	65,000	115,000	(50,000)
Total cash receipts	115,000	80,300	<u>\$ 131,500</u>	<u>\$ (51,200)</u>
Expenditures:				
Instruction	117,712	80,653	\$ 118,920	\$ 38,267
General administration	965	-	-	-
Total expenditures	118,677	80,653	<u>\$ 118,920</u>	<u>\$ 38,267</u>
Receipts over (under) expenditures	(3,677)	(353)		
Unencumbered cash, beginning of year	4,495	1,069		
Prior year canceled encumbrances	251	70		
Unencumbered cash, end of year	<u>\$ 1,069</u>	<u>\$ 786</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 1,570	\$ 1,591	\$ 580	\$ 1,011
Current tax	152,513	122,202	120,473	1,729
Delinquent tax	983	785	774	11
Motor vehicle tax	17,982	16,156	16,384	(228)
State aid	100,202	93,420	93,420	-
Accrued interest on bond proceeds	6,532	621	-	621
Total cash receipts	<u>279,782</u>	<u>234,775</u>	<u>\$ 231,631</u>	<u>\$ 3,144</u>
Expenditures:				
Debt service:				
Principal	170,000	190,000	\$ 190,000	\$ -
Interest	100,816	69,500	69,501	1
Commission and postage	41	-	1,000	1,000
Total expenditures	<u>270,857</u>	<u>259,500</u>	<u>\$ 260,501</u>	<u>\$ 1,001</u>
Receipts over (under) expenditures	8,925	(24,725)		
Unencumbered cash, beginning of year	<u>222,714</u>	<u>231,639</u>		
Unencumbered cash, end of year	<u>\$ 231,639</u>	<u>\$ 206,914</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

**SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS**

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transfer from primary government	\$ 68,000	\$ 69,500	\$ 69,500	\$ -
Charges and sales	8,933	10,702	9,200	1,502
Interest	785	419	800	(381)
Donations and other	209	156	-	156
Youth athletic programs	12,512	14,155	12,000	2,155
Total cash receipts	90,439	94,932	\$ 91,500	\$ 3,432
Expenditures:				
Pool maintenance/improvements	4,101	5,688	\$ 35,000	\$ 29,312
Park maintenance/improvements	3,026	5,413	33,000	27,587
Youth athletic programs	9,268	12,712	14,000	1,288
Salaries	27,057	26,479	30,000	3,521
Capital purchases	3,483	15,873	5,000	(10,873)
Insurance	3,012	2,953	5,000	2,047
Ball field maintenance/improvements	13,250	7,109	15,000	7,891
Concession expense	2,980	3,096	5,000	1,904
Utilities	3,114	3,754	5,000	1,246
Payroll taxes	5,764	5,580	7,000	1,420
Other	837	1,038	3,296	2,258
Total expenditures	75,892	89,695	\$ 157,296	\$ 67,601
Receipts over (under) expenditures	14,547	5,237		
Unencumbered cash, beginning of year	51,523	66,070		
Unencumbered cash, end of year	\$ 66,070	\$ 71,307		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

ALL NON-BUDGETED FUNDS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

Year ended June 30, 2011

	Special revenue				
	At risk (4 year old)	Contingency reserve	Textbook and student materials revolving	REAP rural education achievement	Title I ARRA account
Cash receipts:					
Fees	\$ -	\$ -	\$ 16,041	\$ -	\$ -
Federal aid	-	-	-	39,332	7,349
Windfarm donation	-	-	-	-	-
Total cash receipts	-	-	16,041	39,332	7,349
Expenditures:					
Instruction	-	-	19,038	39,332	7,349
Instructional support staff	304	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	304	-	19,038	39,332	7,349
Receipts over (under) expenditures	(304)	-	(2,997)	-	-
Unencumbered cash, beginning of year	304	91,088	7,375	-	-
Unencumbered cash, end of year	\$ -	\$ 91,088	\$ 4,378	\$ -	\$ -

The accompanying notes are an integral
part of the financial statements.

Special revenue				Debt service Improvement fund/ bond proceed	
Title I	Title IIA	Title IID	Gifts and grants		Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,041
26,147	9,310	89	-	-	82,227
-	-	-	118,421	-	118,421
26,147	9,310	89	118,421	-	216,689
26,147	8,110	89	-	-	100,065
-	-	-	-	-	304
-	-	-	-	621	621
26,147	8,110	89	-	621	100,990
-	1,200	-	118,421	(621)	115,699
-	-	-	235,427	621	334,815
\$ -	\$ 1,200	\$ -	\$ 353,848	\$ -	\$ 450,514

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SCHOLARSHIP TRUST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

	Year ended June 30,	
	2010	2011
Cash receipts:		
Interest	\$ 25	\$ 27
Expenditures:		
Scholarships	-	-
Receipts over (under) expenditures	25	27
Unencumbered cash (deficit), beginning of year	16,561	16,586
Unencumbered cash, end of year	<u>\$ 16,586</u>	<u>\$ 16,613</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

DISTRICT ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH

Year ended June 30, 2011

<u>Fund</u>	<u>Beginning unencumbered cash balance (deficit)</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
Athletics	\$ (526)	\$ 30,758	\$ 28,702	\$ 1,530	\$ -	\$ 1,530
Forensics	1,540	3,395	2,875	2,060	-	2,060
School projects:						
Art department	970	1,800	2,087	683	-	683
Yearbook	1,303	29,062	28,695	1,670	-	1,670
Quiz bowl	1,632	1,397	1,348	1,681	-	1,681
Incentive program hs	1,246	-	1,246	-	-	-
Woods department	181	5,219	5,400	-	-	-
Memorial pictures	168	-	-	168	-	168
Total district activity funds	<u>\$ 6,514</u>	<u>\$ 71,631</u>	<u>\$ 70,353</u>	<u>\$ 7,792</u>	<u>\$ -</u>	<u>\$ 7,792</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS - ACTUAL

Year ended June 30, 2011

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Cash receipts</u>	<u>Cash disbursements</u>	<u>Ending cash balance</u>
Student organization funds:				
Class of 2009	\$ 1,075	\$ -	\$ 1,075	\$ -
Class of 2010	19	-	19	-
Class of 2011	3,015	248	3,263	-
Class of 2012	11,080	8,080	13,600	5,560
Class of 2013	2,964	15,608	8,837	9,735
Class of 2014	-	3,921	2,696	1,225
Student incentive	1,196	1,594	686	2,104
Football	-	1,400	1,350	50
Volleyball	-	28	-	28
HS men's basketball	479	1,379	1,385	473
Softball	126	3,529	3,655	-
HS girls basketball	459	1,385	1,385	459
Music fund	3,514	2,601	1,084	5,031
National honor society	902	1,264	1,201	965
Choir fund	1,896	-	1,896	-
Cheerleaders	-	1,845	1,845	-
Cheerleaders 09/10	472	15,099	15,258	313
Drill team	-	6,474	5,619	855
Dance team 09/10	3,164	-	3,164	-
Pep club	301	240	349	192
Student council	1,535	3,080	3,305	1,310
Middle school student council	186	-	-	186
Vocational club	696	-	-	696
S.A.D.D.	120	1,778	1,898	-
JH cheerleaders	1,210	3,340	2,460	2,090
	<u>\$ 34,409</u>	<u>\$ 72,893</u>	<u>\$ 76,030</u>	<u>\$ 31,272</u>
Total agency funds	<u>\$ 34,409</u>	<u>\$ 72,893</u>	<u>\$ 76,030</u>	<u>\$ 31,272</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist in understanding the District's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are representations of the District's management, which is responsible for their integrity and objectivity. The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Financial reporting entity

U.S.D. No. 381 Spearville, Kansas is a municipal corporation governed by an elected seven-member board. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the District has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the District's legally adopted budget and trust funds controlled or administered by District employees in their capacity as District employees. These financial statements present U.S.D. No. 381 Spearville, Kansas (the primary government) and its component unit. The component unit is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

Discretely Presented Component Unit. The component unit section of these financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District.

Spearville Recreation Commission: The Spearville Recreation Commission oversees recreational activities. The Recreation Commission operates as a separate governing body but the District levies the taxes for the Recreation Commission and the Recreation Commission has only the powers granted by statute, K.S.A. 12-1928. Four of the five members of the governing board of the Recreation Commission are appointed by the Board of Education. The Recreation Commission cannot purchase real property but can acquire real property by gift.

Complete financial statements of the Spearville Recreation Commission may be obtained as follows:

Spearville Recreation Commission
c/o U.S.D. #381
Spearville, Kansas 67876

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting

The accounts of the District are organized on the basis of funds. In governmental accounting a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity.

District resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following funds comprise the financial activities of the District for the year ended June 30, 2011:

GOVERNMENTAL FUNDS

General Funds

The general and supplemental general funds are used to account for all financial transactions not properly accounted for in another fund. They receive a greater variety and number of taxes and other general revenue than any other fund and finance a wider range of activities than any other fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which must be devoted to some special use as required by law or specific regulation.

Debt Service Funds

The debt service funds are used to account for the financing of long-term debt that is not otherwise financed from other revenue.

FIDUCIARY FUNDS

Private-Purpose Trust Fund

The private-purpose trust fund is used to account for the principal and income for trust arrangements that benefit individuals, private organizations or other governments.

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, other governments and/or other funds.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

4. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

5. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general funds, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of budget for the succeeding fiscal year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of final budget on or before August 25th.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Budgetary information (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended June 30, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, the bond improvement debt service fund and the following special revenue funds:

- 4 Year Old At Risk
- Contingency Reserve
- Textbook and Student Material Revolving
- REAP – Rural Education Achievement
- Title I ARRA Account
- Title I
- Title IIA
- Title IID
- Gifts and Grants
- District Activity

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

6. Cash and investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing deposits and disclosed as part of the District's cash balances. Unless specifically designated, all interest income is credited to funds designated by K.S.A. 72-6427.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Ad valorem tax revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied by November 1 and a lien for all taxes attaches on that same date until taxes are paid. One-half of the property taxes is due December 20 and distributed to the District by January 20 to help finance the current year's budget. The second half is due May 10 and distributed to the District by June 5. This distribution to the District is in its next budget year. The District Treasurer draws available funds from the County Treasurer's Office at designated times throughout the year.

8. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs) which is a cost-sharing multiple-employer state-wide pension plan. The State of Kansas pays the District's share of pension costs; such costs to be funded are determined annually by the system's actuary.

9. Compensated absences

The District's policies regarding vacation and sick pay permit an annual vacation of one to three weeks with pay depending on years of service to employees assigned to twelve month positions. The Superintendent is entitled to an annual vacation of three weeks. Non-certified staff only are entitled to payment for unused vacation if they terminate employment at the end of the contract period. Sick leave for all employees may be accumulated at a rate of ten days per year up to a total accumulation of 72 days. The sick leave pool is administered by a committee of District employees. Personal leave is given to all personnel at two days per year and may accumulate to a total of three days for non-certified staff and four days for certified personnel. In the event of death, retirement or termination of employment for all employees, accumulated sick and personal leave is lost. The District's policy is to recognize the costs of compensated absences when actually paid.

10. Section 125 plan

The District offers a Section 125 flexible benefit plan to employees electing to participate. It is used for health insurance premiums, unreimbursed medical expense, dependent care expense, and other insurance premiums. The plan is administered by an independent company.

11. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Other post employment benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

13. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The District purchases commercial insurance to cover health, property, liability and worker's compensation claims. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded coverage in any of the past three years.

B. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration to the Director of Accounts and Reports and interpretation by the legal representatives of the School District.

The General and Supplemental General Funds showed ending unencumbered cash deficits of \$201,990 and \$9,927, respectively, for the year ended June 30, 2011. This was a result of the State of Kansas not making its final payment until after the end of the fiscal year. The District was instructed by the State to expend the authorized budget for the year and the balance of the monies due to the District from the State of Kansas was received after the end of the fiscal year. K.S.A. 10-1116a exempts school districts from the cash basis law in this situation.

K.S.A. 72-6417 and K.S.A. 79-6434 require that districts receiving state aid in July for the previous fiscal year ended in June record and account for these funds as receipts for the previous fiscal year ending on the preceding June 30. The following schedules demonstrate compliance with these statutes:

B. COMPLIANCE WITH KANSAS LAW (CONTINUED)

GENERAL FUND

STATEMENT OF STATUTORY RECEIPTS, EXPENDITURES
AND BALANCES

Year ended June 30, 2011

	Statutory amounts	Budget	Variance favorable (unfavorable)
Statutory receipts:			
Taxes:			
Ad valorem property:			
Tax in process	\$ 2,642	\$ 1,402	\$ 1,240
Current tax	312,763	305,337	7,426
Delinquent tax	1,107	1,583	(476)
Federal aid:			
ARRA stabilization	46,333	46,333	-
Education jobs	81,129	-	81,129
State aid:			
Equalization aid	1,855,568	1,987,364	(131,796)
Special education aid	257,239	284,236	(26,997)
Mineral production tax	301	-	301
Total statutory receipts	<u>2,557,082</u>	<u>\$ 2,626,255</u>	<u>\$ (69,173)</u>
Expenditures and transfers subject to legal maximum budget:			
Instruction	1,517,596	\$ 1,418,200	\$ (99,396)
Student support services	35,164	49,050	13,886
Instructional support staff	-	600	600
General administration		196,175	196,175
School administration	217,221	218,583	1,362
Operations and maintenance	210,353	334,150	123,797
Student transportation services	17,654	37,997	20,343
Operating transfers	402,488	371,500	(30,988)
Adjustment to comply with legal maximum budget	<u>-</u>	<u>(69,173)</u>	<u>(69,173)</u>
Total expenditures and transfers subject to legal maximum budget	<u>2,400,476</u>	<u>\$ 2,557,082</u>	<u>\$ 156,606</u>
Receipts over (under) expenditures	156,606		
Statutory balance, beginning of year	<u>-</u>		
Statutory balance, end of year	<u>\$ 156,606</u>		

B. COMPLIANCE WITH KANSAS LAW (CONTINUED)

SUPPLEMENTAL GENERAL FUND

STATEMENT OF STATUTORY RECEIPTS, EXPENDITURES
AND BALANCES

Year ended June 30, 2011

	Statutory amounts	Budget	Variance favorable (unfavorable)
Statutory receipts:			
Taxes:			
Ad valorem property:			
Tax in process	\$ 3,800	\$ 2,264	\$ 1,536
Current tax	410,258	405,470	4,788
Delinquent tax	1,375	1,848	(473)
Motor vehicle tax	26,964	28,583	(1,619)
State aid	416,811	418,175	(1,364)
Total statutory receipts	<u>859,208</u>	<u>\$ 856,340</u>	<u>\$ 2,868</u>
Expenditures:			
Instruction	95,721	\$ 166,457	\$ 70,736
Operations and maintenance	211,930	160,676	(51,254)
Student transportation services	144,961	150,500	5,539
Operating transfers	412,021	387,000	(25,021)
Total expenditures	<u>864,633</u>	<u>\$ 864,633</u>	<u>\$ -</u>
Receipts over (under) expenditures	(5,425)		
Statutory balance, beginning of year	<u>20,262</u>		
Statutory balance, end of year	<u>\$ 14,837</u>		

C. DEPOSITS AND INVESTMENTS

Policies. The District has no formal deposit and investment policies; however it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds to have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the District's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Government's deposits may not be returned to it. At year-end the carrying amount of the District's deposits, including certificates of deposit, was \$1,333,890. The bank balance was \$1,628,999. Of the bank balance, \$500,370 was covered by FDIC insurance, \$1,128,629 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name.

D. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2011, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Series 2009					
Issued March 1, 2010					
In the amount of \$2,235,000					
At interest rates of 2.50% to 4.00%					
Maturing September 1, 2019	<u>\$ 2,235,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 2,045,000</u>	<u>\$ 69,500</u>

K.S.A. 72-6761 limits the amount of bonds that a school district may have outstanding at any one time to 14% of the assessed valuation of taxable tangible property within the school district. At year end, the District had \$2,045,000 of bonds outstanding which is 12.07% of the assessed valuation.

D. LONG-TERM DEBT (CONTINUED)

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2012	\$ 200,000	\$ 64,625	\$ 264,625
2013	205,000	59,563	264,563
2014	215,000	53,775	268,775
2015	220,000	47,250	267,250
2016	225,000	40,012	265,012
2017-2020	<u>980,000</u>	<u>75,538</u>	<u>1,055,538</u>
Total	<u>\$ 2,045,000</u>	<u>\$ 340,763</u>	<u>\$ 2,385,763</u>

E. DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603-3869), at the following website: <http://da.state.ks.us/ar/muniserv/AuditorInfo.htm> or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and 74-49,210 establishes the KPERS member-employee contribution rate at 4% and 6% respectively of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 9.17% of covered payroll for July 1, 2010 through June 30, 2011. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$120,030, \$141,151, and \$135,200.

F. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Statutory authority</u>
Operating transfers:			
General fund	Special education fund	290,302	K.S.A. 72-6428
General fund	Vocational education fund	15,300	K.S.A. 72-6428
General fund	Bilingual fund	5,000	K.S.A. 72-6428
General fund	Capital Outlay fund	91,886	K.S.A. 72-6428
Supplemental general fund	At risk (K-12) fund	80,500	K.S.A. 72-6433
Supplemental general fund	Food Service fund	53,000	K.S.A. 72-6433
Supplemental general fund	Professional Development fund	1,500	K.S.A. 72-6433
Supplemental general fund	Special education fund	212,021	K.S.A. 72-6433
Supplemental general fund	Vocational education fund	<u>65,000</u>	K.S.A. 72-6433
		<u>\$ 814,509</u>	
Transfers to component units:			
Recreation commission fund	Spearville Recreation Commission	<u>\$ 69,500</u>	K.S.A. 12-1928

G. CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2011.

H. COMMITMENTS

As of June 30, 2011, the District had the following commitments with respect to unfinished capital projects:

<u>Project</u>	<u>Project commitments authorized</u>	<u>Expenditures to date</u>	<u>Remaining financial commitment</u>
Science and Special Education Classrooms	\$ 539,351	\$ 46,040	\$493,311

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2011, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA

November 4, 2011

Spearville Recreation Commission
Board and Management
Spearville, Kansas

We have audited the financial statements of the Spearville Recreation Commission for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 3, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the entity are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Estimates in the financial statements include accounts payable. Management's estimate of accounts payable is based on invoices paid subsequent to year end. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the summary of significant accounting policies in Note A.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrections to propose to management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

There is little opportunity for segregation of duties in the accounting and record keeping due to the size of the Commission. This situation requires that the board remain involved in the financial affairs of the Commission to provide oversight and independent review of the accounting functions. Board member signatures on checks and review of supporting invoices, financial statements, bank reconciliations and other financial records throughout the year provides additional controls.

This information is intended solely for the use of the governing body and management of the Spearville Recreation Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy McKee & Company LLP

**SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2011**

**SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Summary of Cash Receipts, Expenditures And Unencumbered Cash.....	2
Statement of Cash Receipts and Expenditures – Actual and Budget.....	3
Notes to Financial Statements	4

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA

INDEPENDENT AUDITOR'S REPORT

Spearville Recreation Commission
Spearville, Kansas

We have audited the accompanying financial statements of the Spearville Recreation Commission, a discretely presented component unit of Unified School District No. 381, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the Spearville Recreation Commission has prepared these financial statements using accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Spearville Recreation Commission as of June 30, 2011, or the changes in its financial position for the year then ended. Further, the Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Spearville Recreation Commission, as of June 30, 2011, its cash receipts and expenditures, and budgetary results, for the year then ended, taken as a whole, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

November 4, 2011

**SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2011

Beginning unencumbered cash balance	\$ 66,070
Prior year canceled encumbrances	-
Cash receipts	94,932
Expenditures	<u>(89,695)</u>
Ending unencumbered cash balance	71,307
Add outstanding encumbrances and accounts payable	<u>-</u>
Ending cash balance	<u><u>\$ 71,307</u></u>
Composition of cash balance:	
Checking	\$ 428
Savings	<u>70,879</u>
Total cash	<u><u>\$ 71,307</u></u>

The accompanying notes are an integral
part of the financial statements.

SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Appropriation from Unified School District No. 381	\$ 68,000	\$ 69,500	\$ 69,500	\$ -
Receipts from swimming pool charges and concession stand sales	8,933	10,702	9,200	1,502
Interest	785	419	800	(381)
Donations and other	209	156	-	156
Youth athletic programs	12,512	14,155	12,000	2,155
Total cash receipts	90,439	94,932	\$ 91,500	\$ 3,432
Expenditures and encumbrances:				
Pool maintenance/improvements	4,101	5,688	\$ 35,000	\$ 29,312
Park maintenance/improvements	3,026	5,413	33,000	27,587
Youth athletic programs	9,268	12,712	14,000	1,288
Salaries	27,057	26,479	30,000	3,521
Capital purchases	3,483	15,873	5,000	(10,873)
Insurance	3,012	2,953	5,000	2,047
Ball field maintenance/improvements	13,250	7,109	15,000	7,891
Concession expense	2,980	3,096	5,000	1,904
Utilities	3,114	3,754	5,000	1,246
Payroll taxes	5,764	5,580	7,000	1,420
Other	837	1,038	3,296	2,258
Total expenditures	75,892	89,695	\$ 157,296	\$ 67,601
Receipts over (under) expenditures	14,547	5,237		
Unencumbered cash, beginning of year	51,523	66,070	\$ 65,885	\$ 185
Unencumbered cash, end of year	\$ 66,070	\$ 71,307	\$ 89	\$ 71,218

The accompanying notes are an integral
part of the financial statements.

**SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist in understanding the Commission's financial statements. The financial statements and notes are the representation of the Commission's management, which is responsible for their integrity and objectivity. The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Component unit

The Spearville Recreation Commission is a discretely presented component unit of Unified School District No. 381. Four of the five members of the governing board are appointed by the Board of Education. The Commission operates as a separate governing body but the District levies the taxes for the Commission and the Commission has only the powers granted by statute, K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift.

2. Fund accounting

In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. A general fund is used to account for all financial transactions of the Commission.

3. Basis of accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting (continued)

Departure from accounting principles generally accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances. A statement of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund. The statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

The budget is prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

B. DEPOSITS AND INVESTMENTS

Policies. The Commission has no formal deposit and investment policies; however it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds to have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the Commission's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, or by collateral held under joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. State statutes place no limit on the amount the Commission may invest in any one issuer.

Custodial credit risk – deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. At year-end the carrying amount of the Commission's deposits was \$71,307. The bank balance was \$78,183, all of which was covered by FDIC insurance.

C. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters, and medical needs of employees for which the Commission purchases commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

D. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2011, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.